

INDIVIDUAL INCOME TAX STATISTICS REPORT FOR TAX YEAR 2003

This report summarizes data from individual income tax returns for tax year 2003 that are filed by August 15, 2004 (the extension deadline).

COMPARISON WITH TAX YEAR 2002 (Table 1)

Taxpayers filed 2.703 million tax returns for tax year 2003, an increase of 0.2% over the 2.698 million returns filed for 2002. In 2003, there were 1.1 million single filers, and 234,000 head-of-household filers. Married joint filers numbered 1.1 million while married separate filers numbered around 16,000. In addition, there were about 241,000 dependent filers (filers who were claimed as dependents on someone else's tax return).

Wisconsin adjusted gross income (WAGI) was \$109.88 billion in tax year 2003, a 3.3% increase over 2002. Total standard deductions equaled \$13.53 billion in tax year 2003, compared to \$13.3 billion for 2002, an increase of 1.7%. Personal exemptions were \$3.11 billion in 2003 compared to \$3.09 billion in 2002, a 0.4% increase. Total income tax liability (before the minimum tax) increased 4.2% to \$4.85 billion and the alternative minimum tax, paid by just over 4,500 filers, generated \$4 million in tax year 2003, a 14.3% decline over tax year 2002. Of the 2.7 million tax returns filed for 2003, 1.94 million, or 72%, showed a net income tax liability. The average tax rate equal to net tax divided by WAGI, was 4.4%, about the same as the previous year.

Net income tax equals gross tax, calculated by applying the statutory tax rates and brackets to taxable income, less nonrefundable tax credits. Nonrefundable tax credits can only be used to offset tax liability. Since some taxpayers have low gross tax prior to credits, they are able to use only part of the credits that are claimed. Nonrefundable credits include the itemized deduction credit, the armed forces member credit, the school property tax credit, the working families credit, the married couple credit, the manufacturer's sales tax credit, the development zone credit, and the historic rehabilitation credit. These credits increased 1.2% to \$887.9 million in 2003. The three largest nonrefundable credits -- the school property tax credit (\$354.4 million), the married couple credit (\$263.7 million) and the itemized deduction credit (\$257.4 million) -- accounted for 98.6% of the total used credits.

Wisconsin also allows refundable credits, with credit amounts in excess of tax liability refunded to the taxpayer. These credits include the earned income tax credit, the homestead credit, the farmland preservation credit, and the farmland tax relief credit. Refundable credits decreased 3.6% from \$212.9 million in 2002 to \$205.2 in 2003. The largest of these credits was the Homestead credit at \$110.1 million, followed by the earned income tax credit at \$69.8 million. Separate reports on each of the refundable credits have been prepared by the Department of Revenue and are available on our website, www.dor.state.wi.us.

TABLE 1
INDIVIDUAL INCOME TAX RETURNS AND SELECTED TAX ITEMS
FOR TAX YEARS 2002 AND 2003
(dollars amounts in millions)

Tax Items	Tax Year 2002	Tax Year 2003	% Change
Count of Tax Returns	2,698,475	2,702,716	0.2%
Single Filers	1,094,172	1,098,065	0.4
Dependent Filers	251,031	240,597	-4.2
Head of Household Filers	229,919	234,401	1.9
Married Joint Filers	1,107,089	1,113,608	0.6
Married Separate Filers	16,264	16,045	-1.3
Wisconsin Adjusted Gross Income (WAGI)	\$106,348.69	\$109,876.61	3.3
Standard Deduction			
Number of Returns	2,245,997	2,242,861	-0.1
Amount	\$13,296.93	\$13,529.86	1.8
Personal Exemptions			
Number of Returns	2,014,617	2,017,908	0.2
Amount	\$3,094.44	\$3,106.72	0.4
Taxable Income			
Number of Returns	2,059,633	2,058,739	0.0
Amount	\$90,607.80	\$93,807.66	3.5
Gross Income Tax (before credits)			
Number of Returns	2,053,946	2,053,956	0.0
Amount	\$5,529.29	\$5,734.52	3.7
Net Income Tax			
Number of Returns	1,937,124	1,936,714	0.0
Amount	\$4,651.54	\$4,846.63	4.2
Alternative Minimum Tax			
Number of Returns	4,179	4,555	9.0
Amount	\$4.58	\$3.92	-14.3
Total Tax Liability (Net + Minimum Tax)			
Number of Returns	1,937,452	1,937,330	0.0
% of Total Returns Filed	71.8%	71.7%	
Amount	\$4,656.11	\$4,850.55	4.2
Average Tax Rate (as % of WAGI)	4.38%	4.41%	
Total Nonrefundable Credits (Used)	\$877.75	\$887.89	1.2
Itemized Deductions Credit			
Number of Returns	698,694	702,998	0.6
Amount	\$258.94	\$257.37	-0.6
Armed Forces Member Credit			
Number of Returns	4,411	4,935	11.9
Amount	\$0.78	\$0.87	12.2
School Property Tax/Rent Credit			
Number of Returns	1,645,897	1,651,708	0.4
Amount	\$345.43	\$354.36	2.6
Working Families' Credit			
Number of Returns	18,089	16,679	-7.8
Amount	\$0.60	\$0.52	-12.8
Married Couple Credit			
Number of Returns	694,185	694,281	0.0
Amount	\$262.80	\$263.69	0.3
Manufacturer's Sales Tax Credit			
Number of Returns	3,145	3,332	5.9
Amount	\$7.13	\$8.68	21.8

TABLE 1 (continued)
INDIVIDUAL INCOME TAX RETURNS AND SELECTED TAX ITEMS
FOR TAX YEARS 2002 AND 2003
(dollars amounts in millions)

Tax Items	Tax Year 2002	Tax Year 2003	% Change
Historic Rehabilitation Credit			
Number of Returns	280	299	6.8
Amount	\$1.08	\$1.23	13.8
Development Zone Credit			
Number of Returns	133	166	24.8
Amount	\$0.99	\$1.16	16.7
Refundable Credits	\$212.94	\$205.25	-3.6
Earned Income Tax Credit			
Number of Returns	210,624	214,164	1.7
Amount	\$69.03	\$69.77	1.1
Homestead Credit			
Number of Returns	212,874	219,283	3.0
Amount	\$105.54	\$110.08	4.3
Farmland Preservation Credit			
Number of Returns	19,605	19,083	-2.7
Amount	\$15.54	\$13.68	-12.0
Farmland Tax Relief Credit			
Number of Returns	53,736	53,473	-0.5
Amount	\$22.84	\$11.72	-48.7
Other			
Use Tax			
Number of Returns	25,126	24,769	-1.4
Amount	\$1.35	\$1.42	5.5
Endangered Resources Donation			
Number of Returns	41,350	39,005	-5.7
Amount	\$0.66	\$0.63	-4.4
Packers Football Stadium Donation			
Number of Returns	17,088	14,433	-15.5
Amount	\$0.17	\$0.13	-23.0

Source: Wisconsin Department of Revenue, Individual Income Tax Aggregate Statistics.

Notes: Details may not sum to totals because of rounding. Percent changes were calculated before rounding. All dollar amounts are in millions.

INDIVIDUAL INCOME TAX FOR TAX YEAR 2003 DISTRIBUTED BY INCOME CLASS

Tables 2A, 2B, 2C, 2D and Chart 1 show the distribution by income class – as measured by WAGI – of taxfilers, WAGI, net income tax, and minimum tax liability for tax year 2003.

- About 54% of taxfilers had WAGI of less than \$30,000, but they accounted for only 15% of total WAGI, and 6.6% of net tax.
- At the other end of the income scale, the 0.2% of taxfilers with WAGI in excess of \$500,000 received 7% of total WAGI and paid 11% of net tax. Taxfilers with WAGI between \$100,000 and \$500,000 accounted for 6% of all filers, 23% of total WAGI and 29% of net tax.

- The \$30,000 – \$50,000 income class accounted for roughly 18% of filers, 18% of total WAGI, and 15% of net tax.
- Those in the \$50,000 – \$100,000 income class were 22% of all filers, 37% of total WAGI and 39% of net tax.

The distribution of taxfilers by WAGI, as shown in Table 2A and Chart 1, does not accurately portray the distribution of households by household income. In particular, the percentage of households in low-income categories is much lower than the percentage of taxfilers in those categories, for several reasons. First, nontaxable income is not included in the determination of WAGI. For example, at lower income levels, public assistance payments and most of social security benefits are not taxable and thus do not show up in WAGI. At higher income levels, interest on U.S. government securities is exempt from state taxation, and not included in the calculation of WAGI. Thus, WAGI actually understates the income available to the taxfiler for his or her use. Second, some taxpayers are able to reduce their income using tax shelters. As a result, WAGI understates their true income. Finally, about 16% taxfilers with WAGI lower than \$30,000 include children who are claimed as dependents on their parents' income tax returns, but have earned income and thus must file their own tax returns.

Table 2D shows average tax rates by WAGI class. These rates, calculated by dividing net tax liability by the amount of WAGI, average 4.4% for all income classes, but rise from 1% or less for incomes below \$15,000 to 6.4% for incomes over \$500,000. The increase in the effective tax rate as income increases is the result of the progressive aspects of Wisconsin's income tax structure – specifically, a sliding scale standard deduction where the standard deduction decreases as income increases, and marginal tax rates that increase as taxable income rises.

**TABLE 2A
DISTRIBUTION OF TAXFILERS AND WAGI AND TAX BY WAGI CLASS, TAX YEAR 2003**

WAGI Class	Taxfilers		Wisconsin Adjusted Gross Income (WAGI)		
	Count	%	Amount (\$)	%	Average (\$)
Less than \$0	40,089	1.5%	(567,625,139)	-0.5%	(14,159)
\$0 - <\$5,000	403,735	14.9	737,251,441	0.7	1,826
\$5,000 - <\$10,000	260,607	9.6	1,927,499,101	1.8	7,396
\$10,000 - <\$15,000	211,679	7.8	2,633,373,650	2.4	12,440
\$15,000 - <\$20,000	195,979	7.3	3,425,016,333	3.1	17,476
\$20,000 - <\$25,000	181,726	6.7	4,082,057,237	3.7	22,463
\$25,000 - <\$30,000	163,940	6.1	4,503,120,821	4.1	27,468
\$30,000 - <\$40,000	271,884	10.1	9,457,568,052	8.6	34,785
\$40,000 - <\$50,000	218,237	8.1	9,786,547,790	8.9	44,844
\$50,000 - <\$70,000	331,740	12.3	19,695,744,102	17.9	59,371
\$70,000 - <\$100,000	253,795	9.4	20,933,077,144	19.1	82,480
\$100,000 - <\$200,000	136,020	5.0	17,479,683,223	15.9	128,508
\$200,000 - <\$500,000	26,694	1.0	7,703,438,096	7.0	288,583
\$500,000 - <\$1,000,000	4,642	0.2	3,134,063,640	2.9	675,154
\$1,000,000 and over	1,949	0.1	4,945,797,419	4.5	2,537,608
TOTAL	2,702,716	100.0%	109,876,612,910	100.0%	40,654

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

TABLE 2B
DISTRIBUTION OF TAXFILERS AND NET TAX BY WAGI CLASS, TAX YEAR 2003

WAGI Class	Taxfilers		Net Income Tax*			
	Count	%	Amount (\$)	%	Average (\$)	Net Income Tax Rate**
Less than \$0	5	0.0%	\$(1,618)	0.0%	\$(324)	0.0%
\$0 - <5,000	35,695	1.8	2,482,560	0.1	70	0.3
\$5,000 - <10,000	50,162	2.6	5,490,593	0.1	109	0.3
\$10,000 - <15,000	123,320	6.4	22,059,512	0.5	179	0.8
\$15,000 - <20,000	152,270	7.9	54,008,859	1.1	355	1.6
\$20,000 - <25,000	170,189	8.8	98,664,161	2.0	580	2.4
\$25,000 - <30,000	161,744	8.4	138,777,849	2.9	858	3.1
\$30,000 - <40,000	270,917	14.0	348,238,722	7.2	1,285	3.7
\$40,000 - <50,000	217,897	11.3	395,998,446	8.2	1,817	4.0
\$50,000 - <70,000	331,501	17.1	866,409,132	17.9	2,614	4.4
\$70,000 - <100,000	253,756	13.1	1,013,799,068	20.9	3,995	4.8
\$100,000 - <200,000	135,987	7.0	930,059,354	19.2	6,839	5.3
\$200,000 - <500,000	26,689	1.4	458,787,486	9.5	17,190	6.0
\$500,000 - <1,000,000	4,635	0.2	196,478,100	4.1	42,390	6.3
\$1,000,000 and over	1,947	0.1	315,374,385	6.5	161,980	6.4
TOTAL	1,936,714	100.0%	\$4,846,626,609	100.0%	\$2,502	4.4%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

*After nonrefundable credits and before refundable credits.

**Tax as % of WAGI.

TABLE 2C
DISTRIBUTION OF TAXFILERS AND MINIMUM TAX LIABILITY BY WAGI CLASS, TAX YEAR 2003

WAGI Class	Taxfilers		Minimum Tax		
	Count	%	Amount (\$)	%	Average (\$)
Less than \$0	53	1.2%	\$45,131	1.2%	\$852
\$0 - <5,000	1,001	22.0	261,702	6.7	261
\$5,000 - <10,000	269	5.9	118,766	3.0	442
\$10,000 - <15,000	172	3.8	52,444	1.3	305
\$15,000 - <20,000	155	3.4	54,232	1.4	350
\$20,000 - <25,000	90	2.0	63,896	1.6	710
\$25,000 - <30,000	77	1.7	40,457	1.0	525
\$30,000 - <40,000	99	2.2	45,672	1.2	461
\$40,000 - <50,000	94	2.1	86,399	2.2	919
\$50,000 - <70,000	139	3.1	128,117	3.3	922
\$70,000 - <100,000	121	2.7	184,865	4.7	1,528
\$100,000 - <200,000	276	6.1	485,321	12.4	1,758
\$200,000 - <500,000	1,759	38.6	1,332,419	34.0	757
\$500,000 - <1,000,000	192	4.2	540,109	13.8	2,813
\$1,000,000 and over	58	1.3	483,341	12.3	8,333
TOTAL	4,555	100.0%	\$3,922,871	100.0%	\$861

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

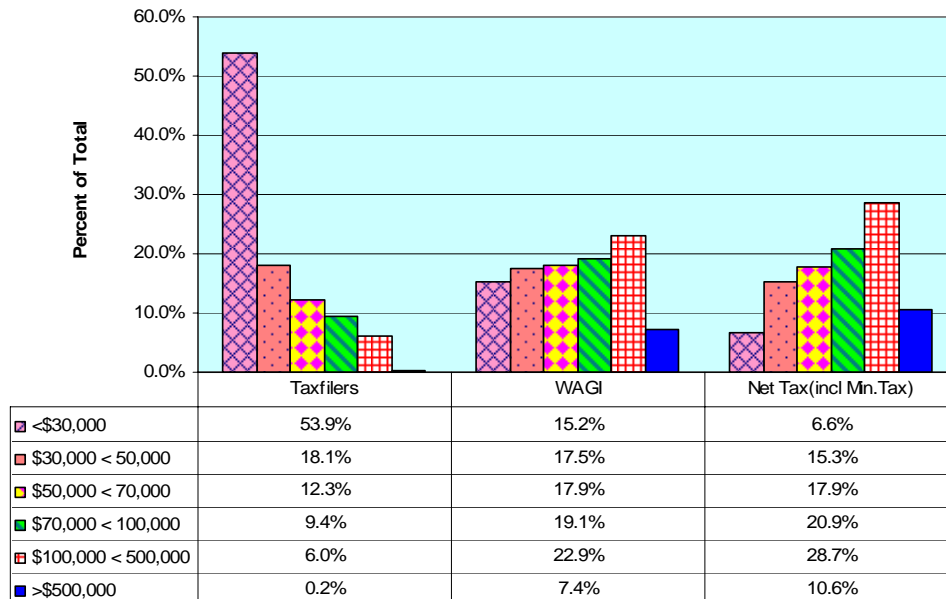
TABLE 2D
DISTRIBUTION OF TAXFILERS AND TOTAL NET TAX LIABILITY BY WAGI CLASS, TAX YEAR 2003

WAGI Class	Taxfilers		Total Net Tax Liability (Net + Minimum Tax)			
	Count	%	Amount (\$)	%	Average (\$)	Average Tax Rate (%)**
Less than \$0	52	0.0%	\$43,513	0.0%	\$837	0.0%
\$0 - <5,000	36,081	1.9	2,744,262	0.1	76	0.4
\$5,000 - <10,000	50,246	2.6	5,609,359	0.1	112	0.3
\$10,000 - <15,000	123,380	6.4	22,111,956	0.5	179	0.8
\$15,000 - <20,000	152,289	7.9	54,063,091	1.1	355	1.6
\$20,000 - <25,000	170,190	8.8	98,728,057	2.0	580	2.4
\$25,000 - <30,000	161,742	8.3	138,818,306	2.9	858	3.1
\$30,000 - <40,000	270,918	14.0	348,284,394	7.2	1,286	3.7
\$40,000 - <50,000	217,906	11.2	396,084,845	8.2	1,818	4.0
\$50,000 - <70,000	331,504	17.1	866,537,249	17.9	2,614	4.4
\$70,000 - <100,000	253,758	13.1	1,013,983,933	20.9	3,996	4.8
\$100,000 - <200,000	135,992	7.0	930,544,675	19.2	6,843	5.3
\$200,000 - <500,000	26,824	1.4	460,119,905	9.5	17,153	6.0
\$500,000 - <1,000,000	4,635	0.2	197,018,209	4.1	42,507	6.3
\$1,000,000 and over	1,947	0.1	315,857,726	6.5	162,228	6.4
TOTAL	1,937,464	100.0%	\$4,850,549,480	100.0%	\$2,504	4.4%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

**Tax as % of WAGI.

CHART 1
DISTRIBUTION OF TAXFILERS, WAGI AND TAX BY INCOME CLASS,
TAX YEAR 2003



DISTRIBUTION BY FILING STATUS

Table 3 and Chart 2 show that married couples, whether filing separately or jointly, accounted for 42% of all filers in tax year 2003. They were responsible for 70% of total WAGI and 73% of total net tax liability. In contrast, single taxfilers though accounting for about the same share of filers as married couples -- 41% -- were responsible for 23% of WAGI and 22% of liability. Dependent filers -- those who file a return because they have income but are claimed as dependents on someone else's tax return -- accounted for 9% of filers but had an insignificant share of WAGI and tax liability. Heads of household with 9% of filers had 6% of total WAGI and 5% of tax.

TABLE 3
DISTRIBUTION OF TAXFILERS, WAGI AND TAX FILING STATUS FOR TAX YEAR 2003

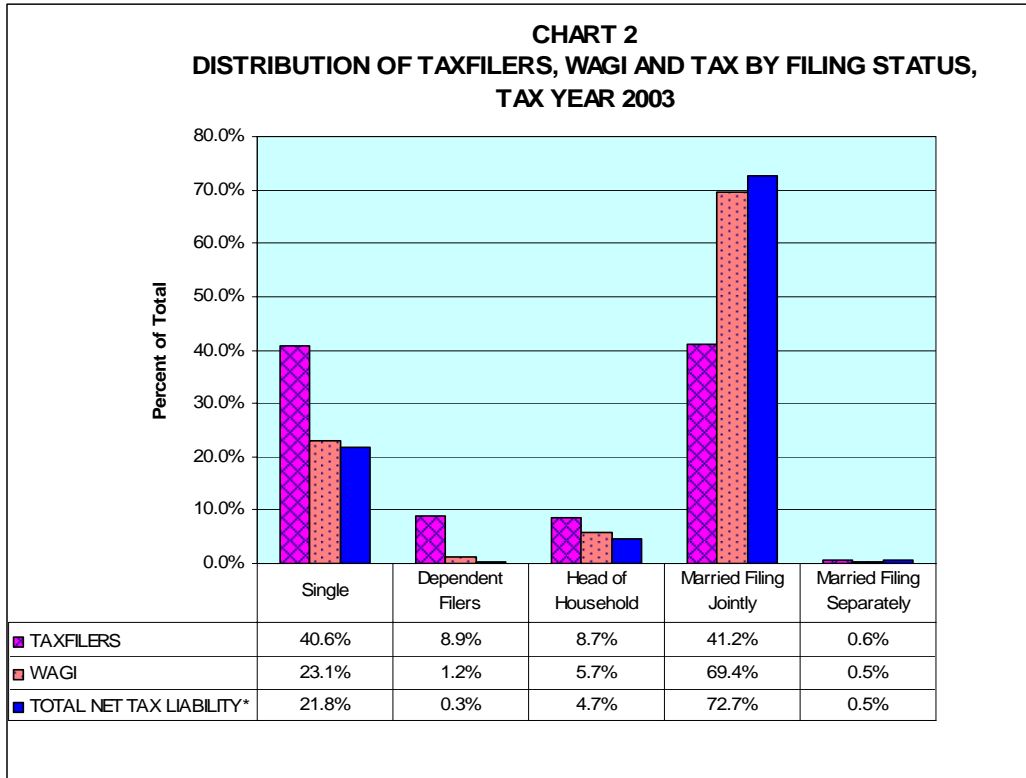
Filing Status	Taxfilers		Wisconsin Adjusted Gross Income (WAGI)			Total Net Tax Liability*		Average Tax Rate** (%)
	Count	%	Total (\$ million)	%	Average (\$)	Total (\$ million)	%	
Single	1,098,065	40.6%	\$25,426.3	23.1%	\$23,156	\$1,055.3	21.8%	4.2%
Dependent	240,597	8.9	1,350.1	1.2	5,611	14.9	0.3	1.1
Head of Household	234,401	8.7	6,296.7	5.7	26,863	229.7	4.7	3.6
Married Filing Jointly	1,113,608	41.2	76,300.3	69.4	68,516	3,524.6	72.7	4.6
Married Filing Separately	16,045	0.6	503.1	0.5	31,356	26.1	0.5	5.2
TOTAL	2,702,716	100.0%	\$109,876.5	100.0%	\$40,654	\$4,850.6	100.0%	4.4%

* Total net tax liability includes the alternative minimum tax after nonrefundable credits but before refundable credits.

**Net tax as percentage of WAGI.

Note: All dollar amounts are in millions.

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.



CREDITS

An income tax credit is a subtraction from gross tax liability. There are two kinds of credits: nonrefundable credits and refundable credits. Nonrefundable credits can only be used to reduce tax liability and in some cases unused amounts of credits can be carried forward for up to 15 years to offset tax liability. The three largest nonrefundable credits are the itemized deduction credit, the school property tax credit, and the married couple credit.

Itemized Deductions Credit

Unlike the federal income tax, the Wisconsin income tax does not allow itemized deductions. Instead, certain expenses are eligible for an itemized deduction credit. The credit equals 5% of the amount of eligible expenses in excess of the sliding scale standard deduction. Expenses qualifying for the credit include mortgage interest on a primary residence located in Wisconsin, charitable contributions, and medical expenses in excess of 7.5% of the taxpayer's federal adjusted gross income.

The distribution of the itemized deductions credit by income class is shown in Table 4. Out of a total of 2.7 million taxfilers, about 717,000 (27%) claim the credit, but 703,000 have enough liability to use the credit. The percentage of filers within an income class using the credit tends to rise with income. While less than 10% of filers with incomes below \$30,000 used the itemized deductions credit, close to 100% of filers with incomes of \$100,000 or more used the credit. The total amount of the used itemized deductions credit was \$257.4 million. Close to 90% of the credits used were accounted for by filers with WAGI exceeding \$50,000.

The itemized deductions credit primarily benefits higher-income filers for two reasons. First, the expenses that qualify for the credit, mortgage interest and charitable contributions, tend to be larger for persons with higher incomes. Second, expenses are eligible for the credit only to the extent that they exceed the standard deduction. The design of the sliding scale standard deduction ensures that the standard deduction is reduced as income increases. Thus, lower income filers have larger standard deductions that typically exceed their qualified itemized deductions, so they seldom claim the itemized deductions credit. By contrast, higher income filers, who tend to have larger amounts of expenses eligible for the credit, have a small or no standard deduction. These filers tend to have a large amount of eligible expenses against which the 5% itemized deductions credit is applied.

TABLE 4
DISTRIBUTION OF ITEMIZED DEDUCTIONS CREDIT BY WAGI CLASS FOR TAX YEAR 2003

WAGI Class	Taxfilers	Itemized Deductions Credit						
	Count	Total Claimed		Used Credit		Amount of Used Credit		% Used amounts to claimed amounts
		Count	Amount (\$)	Count	As % of filers in income class	(\$)	%	
Less than \$0	40,089	4,500	\$2,344,397	0	0.0%	\$0	0.0%	0.0%
\$0 - <5,000	403,735	11,890	1,919,626	7,280	1.8	98,799	0.0	5.1
\$5,000 - <10,000	260,607	8,311	2,394,791	5,322	2.0	213,703	0.1	8.9
\$10,000 - <15,000	211,679	8,720	3,153,746	7,415	3.5	732,376	0.3	23.2
\$15,000 - <20,000	195,979	9,126	3,038,526	8,833	4.5	1,318,635	0.5	43.4
\$20,000 - <25,000	181,726	9,756	2,682,820	9,756	5.4	1,803,892	0.7	67.2
\$25,000 - <30,000	163,940	12,797	3,180,002	12,797	7.8	2,519,067	1.0	79.2
\$30,000 - <40,000	271,884	39,493	8,015,713	39,493	14.5	7,383,929	2.9	92.1
\$40,000 - <50,000	218,237	57,589	11,499,219	57,589	26.4	11,222,778	4.4	97.6
\$50,000 - <70,000	331,740	167,384	38,034,021	167,384	50.5	37,779,103	14.7	99.3
\$70,000 - <100,000	253,795	221,976	79,875,479	221,976	87.5	79,840,236	31.0	100.0
\$100,000 - <200,000	136,020	132,581	71,661,438	132,581	97.5	71,381,048	27.7	99.6
\$200,000 - <500,000	26,694	26,184	24,944,084	26,184	98.1	24,930,836	9.7	99.9
\$500,000 - <1,000,000	4,642	4,528	7,818,793	4,528	97.5	7,801,787	3.0	99.8
\$1,000,000 and over	1,949	1,860	10,340,343	1,860	95.4	10,340,343	4.0	100.0
TOTAL	2,702,716	716,695	\$270,902,998	702,998	26.0%	\$257,366,533	100.0%	95.0%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

School Property Tax Credit

The school property tax credit for tax year 2003 is equal to 12% of the first \$2,500 of property taxes (or rent equivalent) paid on a principal residence, with a maximum credit of \$300. The rent equivalent of property tax is equal to 20% of rent if heat is included in the rent and 25% if the tenant paid for heat separately from his or her rent.

The school property tax credit has the highest participation rate of all the nonrefundable credits. As Table 5 shows, out of 2.7 million taxfilers, 1.86 million (or 69%) claimed a total of \$398 million in credits: \$312 million in property tax credits and \$86 million in rent credits. (The total number of claimants is less than the sum of property tax credit claimants and rent credit claimants because some filers claim both credits if they were renters for part of the year and homeowners for the remainder of the year.) Because the credit is nonrefundable, some filers who claim it may not be able to fully use it because they do not have enough tax liability. As such, 1.65 million filers were able to use the credit, and the total amount of used credit was \$354 million, or 89% of the amount claimed.

Low-income filers were less likely to fully use their credit. Credits used are less than 50% of credits claimed for filers with WAGI less than \$10,000, but close to 100% for filers with WAGI of \$20,000 or more. Of the \$354 million in total used property tax/rent credit, 47% went to those with incomes of \$30,000 - \$70,000.

The \$2,500 cap on property taxes or rent equivalent that are eligible for the credit limits the value of the credit to upper-income filers who tend to live in homes with higher property values and thus pay higher property taxes. As seen in Table 5, filers with WAGI of \$200,000 or more have average credits that approach the \$300 maximum.

TABLE 5
DISTRIBUTION OF SCHOOL PROPERTY TAX/RENT CREDIT BY WAGI CLASS FOR TAX YEAR 2003

WAGI Class	Taxfilers	School Property Tax/Rent Credit							
	Count	Property Tax Credit Claimed			Rent Credit Claimed			Total Credit Claimed	
		Count	Amount (\$)	Average (\$)	Count	Amount (\$)	Average (\$)	Count	Amount (\$)
Less than \$0	40,089	8,283	\$1,575,442	\$190	1,350	\$182,795	\$135	9,509	\$1,758,237
\$0 - <5,000	403,735	32,073	6,361,049	198	40,261	4,029,713	100	70,932	10,390,761
\$5,000 - <10,000	260,607	44,816	9,098,415	203	65,160	6,868,007	105	107,883	15,966,422
\$10,000 - <15,000	211,679	57,981	12,156,973	210	74,069	8,595,905	116	129,154	20,752,878
\$15,000 - <20,000	195,979	63,244	13,330,014	211	76,664	9,596,015	125	136,413	22,926,030
\$20,000 - <25,000	181,726	64,055	13,259,108	207	76,225	10,186,809	134	136,111	23,445,917
\$25,000 - <30,000	163,940	68,062	14,206,849	209	66,317	9,398,903	142	129,823	23,605,752
\$30,000 - <40,000	271,884	142,182	31,230,767	220	95,905	14,730,035	154	229,211	45,960,801
\$40,000 - <50,000	218,237	147,664	34,523,178	234	54,942	9,188,240	167	195,146	43,711,420
\$50,000 - <70,000	331,740	269,660	68,143,657	253	49,229	8,817,737	179	308,779	76,961,394
\$70,000 - <100,000	253,795	229,267	62,855,271	274	18,725	3,523,451	188	242,087	66,378,722
\$100,000 - <200,000	136,020	126,871	36,559,969	288	5,465	1,094,210	200	130,325	37,654,179
\$200,000 - <500,000	26,694	24,227	7,105,937	293	586	130,096	222	24,649	7,236,033
\$500,000 -									
<1,000,000	4,642	4,132	1,225,391	297	65	15,052	232	4,185	1,240,443
\$1,000,000 and over	1,949	1,642	485,390	296	13	2,891	222	1,652	488,281
TOTAL	2,702,716	1,284,159	\$312,117,413	\$243	624,976	\$86,359,859	\$138	1,855,859	\$398,477,271

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

TABLE 5 (continued)
DISTRIBUTION OF SCHOOL PROPERTY TAX/RENT CREDIT BY WAGI CLASS FOR TAX YEAR 2003

WAGI Class	Total Credit Used		Amount Of Used Credit			% Used amounts to claimed amounts
	Count	As % of filers in income class	(\$)	%	Average (\$)	
Less than \$0	0	0.0%	\$0	0.0%	-	0.0%
\$0 - <5,000	2,979	0.7	44,899	0.0	\$15	0.4
\$5,000 - <10,000	27,737	10.6	934,440	0.3	34	5.9
\$10,000 - <15,000	92,521	43.7	9,960,809	2.8	108	48.0
\$15,000 - <20,000	127,950	65.3	17,497,250	4.9	137	76.3
\$20,000 - <25,000	135,462	74.5	22,962,845	6.5	170	97.9
\$25,000 - <30,000	129,517	79.0	23,485,129	6.6	181	99.5
\$30,000 - <40,000	228,925	84.2	45,870,501	12.9	200	99.8
\$40,000 - <50,000	195,032	89.4	43,676,965	12.3	224	99.9
\$50,000 - <70,000	308,714	93.1	76,940,563	21.7	249	100.0
\$70,000 - <100,000	242,073	95.4	66,373,877	18.7	274	100.0
\$100,000 - <200,000	130,315	95.8	37,651,535	10.6	289	100.0
\$200,000 - <500,000	24,647	92.3	7,235,340	2.0	294	100.0
\$500,000 - <1,000,000	4,184	90.1	1,240,143	0.3	296	100.0
\$1,000,000 and over	1,652	84.8	488,281	0.1	296	100.0
TOTAL	1,651,708	61.1%	\$354,362,577	100.0%	\$215	88.9%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

Married Couple Credit

A married couple credit is available to married couples filing jointly where both spouses are employed. The purpose of the credit is to offset the marriage tax penalty that may occur due to the structure of the state's income tax. In Wisconsin, a married couple may pay taxes that are higher than their combined liability would be if they had each filed as a single taxpayer.

For tax year 2003, the credit equaled 3% of the first \$16,000 of the earned income of the lower-earning spouse, with a maximum credit of \$480. Earned income includes wages, salaries, tips or other employee compensation and net earnings from self-employment, reduced by any net loss from self-employment and by deductions for Keogh or individual retirement accounts. Married couples must file jointly in order to claim the married couple credit.

About 62% of all married joint filers used the credit in 2003, as Table 6 shows. About 694,000 married couples were able to use a total of \$264 million in credits to lower their tax liability. Most of the benefits of the married couple credit go to the upper middle income class, with 80% of the used credits going to those with incomes of \$50,000 or more.

TABLE 6
DISTRIBUTION OF MARRIED COUPLE CREDIT BY WAGI CLASS FOR TAX YEAR 2003

WAGI Class	Married Joint Filers	Married Couple Credit							
	Count	Total Claimed		Used Credit					% Used amounts to claimed amounts
		Count	Amount (\$)	Count	As % of filers in income class	Amount (\$)	%	Average (\$)	
Less than \$0	8,709	920	\$222,718	5	0.1%	\$1,618	0.0%	\$324	0.7%
\$0 - <5,000	32,243	2,160	194,025	310	1.0	14,809	0.0	48	7.6
\$5,000 - <10,000	30,638	4,534	345,412	570	1.9	37,522	0.0	66	10.9
\$10,000 - <15,000	42,290	8,019	809,842	772	1.8	79,048	0.0	102	9.8
\$15,000 - <20,000	48,738	11,334	1,447,192	3,334	6.8	284,531	0.1	85	19.7
\$20,000 - <25,000	46,334	15,211	2,416,938	13,847	29.9	1,724,054	0.7	125	71.3
\$25,000 - <30,000	45,747	19,323	3,719,811	19,192	42.0	3,598,009	1.4	187	96.7
\$30,000 - <40,000	98,195	53,495	13,723,996	53,449	54.4	13,697,412	5.2	256	99.8
\$40,000 - <50,000	119,664	81,735	27,040,039	81,722	68.3	27,034,124	10.3	331	100.0
\$50,000 - <70,000	256,135	203,974	81,024,783	203,966	79.6	81,020,224	30.7	397	100.0
\$70,000 - <100,000	229,425	197,189	85,281,830	197,186	85.9	85,280,773	32.3	432	100.0
\$100,000 - <200,000	125,623	102,528	44,199,353	102,527	81.6	44,198,618	16.8	431	100.0
\$200,000 - <500,000	24,055	14,792	5,660,687	14,792	61.5	5,660,687	2.1	383	100.0
\$500,000 - <1,000,000	4,107	1,914	748,698	1,914	46.6	748,698	0.3	391	100.0
\$1,000,000 and over	1,705	695	313,251	695	40.8	313,251	0.1	451	100.0
TOTAL						\$263,693,379			
	1,113,608	717,823	\$267,148,572	694,281	62.3%		100.0%	\$380	98.7%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

Working Families' Credit

The working families' credit, introduced in tax year 1998, eliminates Wisconsin income tax for single persons with \$9,000 or less of income and for married couples with income of \$18,000 or less. The credit is phased out over the next \$1,000 of income above these thresholds. In tax year 2003, while 31,000 filers claimed the credit, only 16,000 filers benefited from it, at a total cost to the state of approximately \$521,000 (see Table 7).

The credit has declined over the years as other provisions of the income tax code have made it redundant. In particular, the standard deduction, which was raised substantially in tax year 2000 and indexed for inflation for subsequent years, has had more impact on lowering the tax burden of families.

Back in 1998 when the working families' credit first took effect, the maximum standard deduction for singles was \$5,200, phasing down to zero at \$50,830 of income. The maximum standard deduction for married joint filers was \$8,900, phasing down to zero at \$55,000 of income. In contrast, for tax year 2003, the maximum standard deduction for singles was \$7,950, phasing down to zero at \$77,720 of income. For married joint filers the maximum standard deduction was \$14,330, phasing down to zero at \$88,554 of income. In addition, a single filer received a \$700 personal exemption and a married couple received two exemptions totaling \$1,400. In 1998, there were no personal exemptions.

Thus, whereas a single filer with income of \$9,000 had a standard deduction of \$4,990 in tax year 1998, he or she could claim the maximum deduction of \$7,950 plus a personal exemption of \$700 in 2003, for a total reduction in taxable income of \$8,650. A married couple with \$18,000 of income had their standard deduction increased from \$7,268 in 1998 to \$14,330 in 2003, and received exemptions of \$1,400 in 2003 for a total reduction of \$15,730. Indexing of the maximum standard deduction and its phase-out range will continue to reduce the relevance of the working families' credit, since income thresholds and ceilings for the credit are not indexed for inflation.

The decline in the working families' credit has been dramatic. In tax year 1998, the amount of credit used totaled \$15.6 million for 140,000 taxfilers. In 2000, when the standard deduction was greatly expanded and the personal exemption created, the number of filers who used the credit had dropped to 32,700 and the amount to \$1.5 million. With indexing of the standard deduction and an increase in the personal exemption, the 2002 usage of the working families' credit declined further to 18,000 filers and \$0.6 million. In tax year 2003, usage declined even further to 16,000 filers for \$0.5 million.

TABLE 7
DISTRIBUTION OF WORKING FAMILIES' CREDIT BY WAGI CLASS FOR TAX YEAR 2003

WAGI Class	Taxfilers	Working Families Credit							
	Count	Total Claimed		Used Credit					% Used amounts to claimed amounts
		Count	Amount (\$)	Count	As % of filers in income class	Amount (\$)	%	Average (\$)	
Less than \$0	40,089	-	-	-	-	-	-	-	-
\$0 - <5,000	403,735	120	\$2,842	33	-	\$2,707	0.5%	\$82	95.2%
\$5,000 - <10,000	260,607	14,809	237,713	10,971	4.2%	191,184	36.7	17	80.4
\$10,000 - <15,000	211,679	181	41,267	132	0.1	37,847	7.3	287	91.7
\$15,000 - <20,000	195,979	16,327	987,875	5,118	2.6	289,013	55.5	56	29.3
\$20,000 - <25,000	181,726	-	-	-	-	-	-	-	-
\$25,000 - <30,000	163,940	-	-	-	-	-	-	-	-
\$30,000 - <40,000	271,884	-	-	-	-	-	-	-	-
\$40,000 - <50,000	218,237	-	-	-	-	-	-	-	-
\$50,000 - <70,000	331,740	-	-	-	-	-	-	-	-
\$70,000 - <100,000	253,795	-	-	-	-	-	-	-	-
\$100,000 - <200,000	136,020	-	-	-	-	-	-	-	-
\$200,000 - <500,000	26,694	-	-	-	-	-	-	-	-
\$500,000 - <1,000,000	4,642	-	-	-	-	-	-	-	-
\$1,000,000 and over	1,949	-	-	-	-	-	-	-	-
TOTAL	2,702,716	31,437	\$1,269,697	16,254	0.6%	\$520,751	100.0%	\$32	41.0%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

Other Nonrefundable Credits

Tables 8A, 8B, 8C, and 8D provide information on the remaining nonrefundable credits. The armed forces member tax credit (see Table 8A) provides up to \$200 for military pay received for service while stationed outside the United States. It benefited 4,935 filers at a cost of \$0.87 million. About 78% of the credit went to filers with incomes below \$40,000.

TABLE 8A
DISTRIBUTION OF ARMED FORCES MEMBER TAX CREDIT BY WAGI CLASS FOR TAX YEAR 2003

WAGI Class	Taxfilers	Used Armed Forces Member Tax Credit				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	40,089	0	0.00%	\$0	-	-
\$0 - <\$5,000	403,735	6	0.00	187	0.0%	\$31
\$5,000 - <\$10,000	260,607	281	0.11	11,011	1.3	39
\$10,000 - <\$15,000	211,679	861	0.41	138,843	16.0	161
\$15,000 - <\$20,000	195,979	1,065	0.54	191,346	22.1	180
\$20,000 - <\$25,000	181,726	665	0.37	129,103	14.9	194
\$25,000 - <\$30,000	163,940	442	0.27	90,819	10.5	205
\$30,000 - <\$40,000	271,884	564	0.21	111,173	12.8	197
\$40,000 - <\$50,000	218,237	312	0.14	61,552	7.1	197
\$50,000 - <\$70,000	331,740	387	0.12	70,238	8.1	181
\$70,000 - <\$100,000	253,795	238	0.09	42,872	5.0	180
\$100,000 - <\$200,000	136,020	109	0.08	17,509	2.0	161
\$200,000 - <\$500,000	26,694	5	0.02	1,000	0.1	200
\$500,000 - <\$1,000,000	4,642	0	0.00	0	0.0	-
\$1,000,000 and over	1,949	0	0.00	0	0.0	-
TOTAL	2,702,716	4,935	0.18%	\$865,653	100.0%	\$175

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

The manufacturer's sales tax credit (see Table 8B) benefited 3,332 filers who were able to reduce their tax liability by \$8.7 million for an average credit of \$2,604. About 96% of the credit went to filers with incomes of \$100,000 and over and about 59% went to filers with over \$1 million of income. Unused amounts of this credit can be carried forward for 15 years.

TABLE 8B
DISTRIBUTION OF MANUFACTURER'S SALES TAX CREDIT BY WAGI CLASS FOR TAX YEAR 2003

WAGI Class	Taxfilers	Used Manufacturer's Sales Tax Credit				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	40,089	-	0.00%	-	0.00%	-
\$0 - <5,000	403,735	56	0.01	\$2,502	0.03	\$45
\$5,000 - <10,000	260,607	51	0.02	7,440	0.09	146
\$10,000 - <15,000	211,679	53	0.03	8,990	0.10	170
\$15,000 - <20,000	195,979	46	0.02	12,850	0.15	279
\$20,000 - <25,000	181,726	37	0.02	6,795	0.08	184
\$25,000 - <30,000	163,940	44	0.03	9,939	0.11	226
\$30,000 - <40,000	271,884	109	0.04	25,505	0.29	234
\$40,000 - <50,000	218,237	96	0.04	34,001	0.39	354
\$50,000 - <70,000	331,740	221	0.07	87,657	1.01	397
\$70,000 - <100,000	253,795	305	0.12	141,928	1.64	465
\$100,000 - <200,000	136,020	713	0.52	437,075	5.04	613
\$200,000 - <500,000	26,694	861	3.23	1,452,645	16.74	1,687
\$500,000 - <1,000,000	4,642	381	8.21	1,337,187	15.41	3,510
\$1,000,000 and over	1,949	359	18.42	5,112,993	58.92	14,242
TOTAL	2,702,716	3,332	0.12%	\$8,677,507	100.00%	\$2,604

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

The historic credit (see Table 8C) was used by 299 taxfilers for \$1.2 million for an average credit of \$4,104. Filers with incomes of \$70,000 or more accounted for 92% of the credit amount. Unused credits can be carried forward for 15 years.

TABLE 8C
DISTRIBUTION OF HISTORIC CREDIT BY WAGI CLASS FOR TAX YEAR 2003

WAGI Class	Taxfilers	Used Historic Credit				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	40,089	-	0.00%	-	0.0%	-
\$0 - <5,000	403,735	-	0.00	-	0.0	-
\$5,000 - <10,000	260,607	-	0.00	-	0.0	-
\$10,000 - <15,000	211,679	-	0.00	-	0.0	-
\$15,000 - <20,000	195,979	-	0.00	-	0.0	-
\$20,000 - <25,000	181,726	3	0.00	\$695	0.1	\$232
\$25,000 - <30,000	163,940	5	0.00	2,155	0.2	431
\$30,000 - <40,000	271,884	8	0.00	9,032	0.7	1,129
\$40,000 - <50,000	218,237	14	0.01	23,512	1.9	1,679
\$50,000 - <70,000	331,740	27	0.01	60,313	4.9	2,234
\$70,000 - <100,000	253,795	54	0.02	141,941	11.6	2,629
\$100,000 - <200,000	136,020	112	0.08	421,222	34.3	3,761
\$200,000 - <500,000	26,694	62	0.23	409,484	33.4	6,605
\$500,000 - <1,000,000	4,642	9	0.19	108,456	8.8	12,051
\$1,000,000 and over	1,949	5	0.26	50,304	4.1	10,061
TOTAL	2,702,716	299	0.01%	\$1,227,115	100.0%	\$4,104

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

The development zone credits (see Table 8D) benefited 166 taxfilers at a cost of \$1.2 million for an average credit of \$6,958. About 93% of this credit went to filers with income of \$200,000 or more, and 57% of this credit went to filers with income of \$1 million or more.

TABLE 8D
DISTRIBUTION OF DEVELOPMENT ZONE CREDITS BY WAGI CLASS FOR TAX YEAR 2003

WAGI Class	Taxfilers	Used Development Zone Credit				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	40,089	-	0.00%	-	0.0%	-
\$0 - <5,000	403,735	1	0.00	\$146	0.0	\$146
\$5,000 - <10,000	260,607	-	0.00	-	0.0	-
\$10,000 - <15,000	211,679	2	0.00	706	0.1	353
\$15,000 - <20,000	195,979	3	0.00	1,637	0.1	546
\$20,000 - <25,000	181,726	3	0.00	588	0.1	196
\$25,000 - <30,000	163,940	4	0.00	2,215	0.2	554
\$30,000 - <40,000	271,884	2	0.00	2,434	0.2	1,217
\$40,000 - <50,000	218,237	5	0.00	3,827	0.3	765
\$50,000 - <70,000	331,740	8	0.00	4,524	0.4	566
\$70,000 - <100,000	253,795	16	0.01	7,124	0.6	445
\$100,000 - <200,000	136,020	31	0.02	62,339	5.4	2,011
\$200,000 - <500,000	26,694	37	0.14	235,064	20.4	6,353
\$500,000 - <1,000,000	4,642	26	0.56	174,394	15.1	6,707
\$1,000,000 and over	1,949	28	1.44	660,008	57.1	23,572
TOTAL	2,702,716	166	0.006%	\$1,155,005	100.0%	\$6,958

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

REFUNDABLE CREDITS

Wisconsin income tax law allows for several refundable credits. These are the Earned Income Tax Credit, the Homestead Credit, the Farmland Preservation Credit, and the Farmland Tax Relief Credit. Each of these credits is discussed in greater detail in separate reports which can be found on the Department of Revenue's website using the links above.

OTHER ITEMS

Sales and Use Tax on Out-of-State Purchases

The income tax form provides a line for taxpayers to report any state and local sales tax on purchases from out-of-state firms on which the sales tax was not charged. Use taxes are taxes paid by Wisconsin residents to the state of Wisconsin on purchases from out-of-state firms. As seen in Table 9, just under 1% of filers (24,769) reports their use tax. Total use tax collected through the income tax return amounted to \$1.4 million, or an average of \$57. The participation rate increases with income, so does the average use tax (except for the less than \$0 income class).

Since its inception in 1988, the reporting of use tax on the income tax form has increased from 0.5% of all filers to 0.9%, with the average reported use tax gradually increasing from \$20 to \$57. Total use tax collected has risen from \$245,000 to \$1.4 million.

**TABLE 9
USE TAX FOR TAX YEAR 2003**

WAGI Class	Taxfilers	Use Tax On Income Tax Form				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Use Tax (\$)
Less than \$0	40,089	62	0.15%	\$8,169	0.6%	\$132
\$0 - <5,000	403,735	640	0.16	21,446	1.5	34
\$5,000 - <10,000	260,607	843	0.32	26,737	1.9	32
\$10,000 - <15,000	211,679	982	0.46	33,071	2.3	34
\$15,000 - <20,000	195,979	1,047	0.53	38,529	2.7	37
\$20,000 - <25,000	181,726	1,112	0.61	40,150	2.8	36
\$25,000 - <30,000	163,940	1,085	0.66	39,792	2.8	37
\$30,000 - <40,000	271,884	2,403	0.88	93,717	6.6	39
\$40,000 - <50,000	218,237	2,368	1.09	100,183	7.1	42
\$50,000 - <70,000	331,740	4,202	1.27	177,282	12.5	42
\$70,000 - <100,000	253,795	4,305	1.70	203,745	14.4	47
\$100,000 - <200,000	136,020	3,736	2.75	247,932	17.5	66
\$200,000 - <500,000	26,694	1,422	5.33	163,668	11.5	115
\$500,000 - <1,000,000	4,642	341	7.35	69,150	4.9	203
\$1,000,000 and over	1,949	221	11.34	155,174	10.9	702
TOTAL	2,702,716	24,769	0.92%	\$1,418,742	100.0%	\$57

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

**TABLE 10
USE TAX FOR TAX YEARS 1988-2003**

Tax Year	Taxfilers	Use Tax On Income Tax Form			
	Count	Count	As % of all filers	Amount (\$)	Average Amount (\$)
1988	2,267,716	12,319	0.54%	\$245,099	\$20
1989	2,346,343	14,202	0.61	336,831	24
1990	2,383,933	15,426	0.65	377,908	24
1991	2,402,512	16,533	0.69	441,350	27
1992	2,414,541	17,686	0.73	503,372	28
1993	2,441,280	18,711	0.77	635,806	34
1994	2,489,322	20,201	0.81	728,294	36
1995	2,529,204	22,218	0.88	1,046,592	47
1996	2,567,895	24,333	0.95	1,245,718	51
1997	2,614,735	23,912	0.91	1,235,273	52
1998	2,651,683	25,044	0.94	1,328,636	53
1999	2,693,792	23,601	0.88	1,347,424	57
2000	2,738,421	25,050	0.91	1,393,659	56
2001	2,715,633	24,706	0.91	1,335,969	54
2002	2,698,475	25,126	0.93	1,346,426	54
2003	2,702,716	24,769	0.92%	\$1,418,742	\$57

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics, various years.

Endangered Resources Donation

Another line is provided on the individual income tax form to allow taxfilers to donate money for the preservation and management of threatened and endangered species. The donation either reduces the taxpayer's refund or increases tax due. As shown in Table 11, in tax year 2003, 39,005 filers donated a total of about \$626,000, or an average of \$16 for every taxpayer. The

average ranged from below \$10 for incomes below \$10,000, to \$47 at incomes above \$1 million. The participation rate was highest for the \$50,000 - \$200,000 incomes.

The endangered resources donation was first introduced in 1990, when participation was about 64,000 or 2.7% of filers. Participation declined gradually after that, dropping to 41,472 by 1999. The declining trend reversed itself in 2000 and 2001 with participation around 46,450. Participation in 2003, 39,005, is the lowest since the donation's inception. While participation remains below what it was at the beginning, average donations have increased—from \$10 in 1990 to \$16 in 2003.

TABLE 11
ENDANGERED RESOURCES DONATION FOR TAX YEAR 2003

WAGI Class	Taxfilers	Endangered Resources Donation				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	40,089	53	0.13%	\$881	0.1%	\$17
\$0 - <\$5,000	403,735	1,797	0.45	13,152	2.1	7
\$5,000 - <\$10,000	260,607	2,323	0.89	20,213	3.2	9
\$10,000 - <\$15,000	211,679	2,276	1.08	23,211	3.7	10
\$15,000 - <\$20,000	195,979	2,426	1.24	27,095	4.3	11
\$20,000 - <\$25,000	181,726	2,337	1.29	26,194	4.2	11
\$25,000 - <\$30,000	163,940	2,331	1.42	28,343	4.5	12
\$30,000 - <\$40,000	271,884	4,464	1.64	60,050	9.6	13
\$40,000 - <\$50,000	218,237	3,951	1.81	61,321	9.8	16
\$50,000 - <\$70,000	331,740	6,354	1.92	106,607	17.0	17
\$70,000 - <\$100,000	253,795	6,109	2.41	122,658	19.6	20
\$100,000 - <\$200,000	136,020	3,984	2.93	110,039	17.6	28
\$200,000 - <\$500,000	26,694	536	2.01	22,200	3.5	41
\$500,000 - <\$1,000,000	4,642	54	1.16	3,628	0.6	67
\$1,000,000 and over	1,949	10	0.51	465	0.1	47
TOTAL	2,702,716	39,005	1.44%	\$626,056	100.0%	\$16

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

TABLE 12
ENDANGERED RESOURCES DONATION 1990-2003

Tax Year	Taxfilers	Endangered Resources Donation			
	Count	Count	Participation Rate (%)	Amount (\$)	Average (\$)
1990	2,383,933	64,281	2.7%	\$652,944	\$10
1991	2,402,512	60,235	2.5	642,543	11
1992	2,414,541	56,785	2.4	611,426	11
1993	2,441,280	53,084	2.2	593,476	11
1994	2,489,322	50,206	2.0	595,615	12
1995	2,529,204	48,749	1.9	604,506	12
1996	2,567,895	44,767	1.7	572,572	13
1997	2,614,735	41,576	1.6	536,418	13
1998	2,651,683	44,107	1.7	636,979	14
1999	2,693,792	41,472	1.5	563,627	14
2000	2,738,421	46,458	1.7	697,328	15
2001	2,715,633	46,438	1.7	690,574	15
2002	2,698,475	41,350	1.5	658,774	16
2003	2,702,716	39,005	1.4%	\$626,056	\$16

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics, various years.

Packers Football Stadium Donation

This donation, first available in tax year 2001, allows the taxpayer to make a donation towards the renovation of the Packers' football stadium in Green Bay. The donation either reduces a taxpayer's refund, or adds to tax due. About 14,400 filers gave a total of nearly \$133,000 for an average of \$9. Donors with incomes below \$40,000 (excluding those with a net loss) gave less than \$10 on average, while donors with incomes \$40,000 or more donated between \$10 and \$50.

TABLE 13
PACKERS FOOTBALL STADIUM DONATION FOR TAX YEAR 2003

WAGI Class	Taxfilers	Packers Stadium Donation				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	40,089	24	0.06%	\$284	0.2%	\$12
\$0 - <5,000	403,735	788	0.20	3,801	2.9	5
\$5,000 - <10,000	260,607	961	0.37	4,982	3.7	5
\$10,000 - <15,000	211,679	963	0.45	5,979	4.5	6
\$15,000 - <20,000	195,979	1,050	0.54	7,705	5.8	7
\$20,000 - <25,000	181,726	1,010	0.56	7,213	5.4	7
\$25,000 - <30,000	163,940	1,038	0.63	7,506	5.6	7
\$30,000 - <40,000	271,884	1,707	0.63	13,530	10.2	8
\$40,000 - <50,000	218,237	1,394	0.64	16,490	12.4	12
\$50,000 - <70,000	331,740	2,082	0.63	21,070	15.8	10
\$70,000 - <100,000	253,795	2,041	0.80	22,991	17.3	11
\$100,000 - <200,000	136,020	1,199	0.88	17,509	13.1	15
\$200,000 - <500,000	26,694	156	0.58	3,357	2.5	22
\$500,000 - <1,000,000	4,642	19	0.41	747	0.6	39
\$1,000,000 and over	1,949	1	0.05	50	0.0	50
TOTAL	2,702,716	14,433	0.53%	\$133,215	100.0%	\$9

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

APPENDIX A

MAJOR PROVISIONS OF 2003 WISCONSIN INDIVIDUAL INCOME TAX LAW

For a more detailed description of the Wisconsin individual income tax structure and history, see the Department of Revenue's report on [The Wisconsin Individual Income Tax](#) on our website.

Wisconsin Adjusted Gross Income

Wisconsin adjusted gross income (WAGI) is the base for the state individual income tax. It follows closely the base for the federal individual income tax, federal adjusted gross income (FAGI), but is modified by additions and subtractions. Additions account for income exempt from federal tax but subject to state tax and subtractions account for income taxed federally but not by Wisconsin and allow expenses permitted by Wisconsin but not by federal law.

FAGI is equal to gross income after adjustments. Gross income includes all types of income subject to tax, e.g., wages and salaries, net business and farm income (or loss), interest, dividends, rents, retirement income, alimony received, capital gains, unemployment compensation, and a portion of social security benefits.

Adjustments are subtractions from gross income to arrive at FAGI. Examples of adjustments include contributions to Individual Retirement Accounts and self-employed retirement plans, health insurance premiums paid by the self-employed, one-half of the self-employment tax for Social Security and Medicare, a portion of student loan interest, moving expenses, and alimony paid.

Modifications, both additions and subtractions, are then made to FAGI to determine WAGI. Additions to FAGI include income that is exempt from federal tax but is subject to state tax. Major examples include:

- State and municipal bond interest. There is some state and local interest that remains exempt from state taxation (e.g., interest on bonds issued by municipal housing, community development authorities, cultural and sports stadium districts, the Wisconsin Housing and Economic Development Authority, and the governments of Guam, Puerto Rico and the Virgin Islands.)
- Capital losses in excess of \$500 (federal law allows a \$3,000 capital loss deduction but Wisconsin limits the loss to \$500).
- A certain portion of farm losses for those not actively engaged in farming when non-farm WAGI exceeds \$55,000 (\$27,500 if married filing separately).

Subtractions to FAGI are for income that is taxable for federal purposes but not for state purposes. Examples include:

- A 60% exclusion for capital gains on assets held for more than one year which Wisconsin allows but are taxed in full at the federal level.
- Interest on U.S. government bonds, which states are prohibited from taxing.

- Pensions received by persons who were members of or retired from Milwaukee city and county retirement plans, the state teachers' retirement plan and the civil service retirement system prior to January 1, 1964.
- A portion of social security benefits that are taxable for federal purposes. Up to 85% of social security benefits are subject to federal tax, but Wisconsin limits the amount taxed to no more than 50% of those benefits.
- A portion of unemployment compensation, which is fully taxable for federal purposes but only taxed by Wisconsin when income exceeds \$18,000 for married couples and \$12,000 for most other filers.
- Railroad retirement benefits, railroad unemployment insurance, and sickness benefits, which are taxable under federal law but which states are not permitted to tax.
- State income tax refunds.
- 50% of health insurance premiums paid by employed persons whose employer does not contribute to their health insurance
- Premiums paid for long-term care insurance.
- Tuition payments, up to \$3,000 per student, to post-secondary institutions in Wisconsin and to schools in Minnesota covered under Minnesota-Wisconsin tuition reciprocity.
- Contributions to and distributions from the Wisconsin EdVest College Savings Program that are included in FAGI.
- Adoption expenses of up to \$5,000.

Standard Deduction

Wisconsin has a sliding scale standard deduction, which means that as WAGI rises, the amount of the standard deduction phases out to zero. Table A1 shows the 2003 standard deduction schedule by filing status. The maximum standard deduction amounts and the phase-out ranges for WAGI are indexed annually for inflation.

**TABLE A1
STANDARD DEDUCTIONS FOR TAX YEAR 2003**

Filing Status	Wisconsin Adjusted Gross Income (WAGI) (\$)	Standard Deduction (\$)
Single	<11,220 11,220 to 76,136 > 76,136	7,790 7,790 – 12% (WAGI – 11,220) 0
Head of Household	<11,220 11,220 to 32,808 >32,808 to 76,136 >76,136	10,060 10,060 – 22.515% (WAGI – 15,470) 7,790 – 12% (WAGI – 11,220) 0
Married Filing Jointly	<15,760 15,760 to 86,697 >86,697	14,030 14,030 – 19.778% (WAGI – 15,760) 0
Married Filing Separately	<7,480 7,480 to 41,154 >41,154	6,660 6,660 – 19.778% (WAGI – 7,480) 0

Source: WI Department of Revenue.

Personal Exemptions

Personal exemptions are subtracted from WAGI to arrive at taxable income. For tax year 2003, a personal exemption of \$700 is allowed for each taxpayer, spouse and dependent. An additional \$250 exemption is allowed for each taxpayer or spouse who is 65 years of age or older. Thus, an elderly couple filing jointly has a total of \$1,900 in personal exemptions.

Taxable Income

Taxable income is determined by subtracting the standard deduction and personal exemptions from Wisconsin adjusted gross income.

Income Tax Rates and Brackets

Wisconsin has a graduated rate structure where tax rates increase as taxable income increases. Table A2 shows the 2003 tax rate schedule. The brackets for married taxpayers filing separately are approximately half of that for married joint filers. Tax brackets are indexed annually.

**TABLE A2
INDIVIDUAL INCOME TAX RATES FOR TAX YEAR 2003**

Marginal Tax Rates (%)	Taxable Income Brackets (\$)		
	Single	Married Filing Jointly	Married Filing Separately
4.60	>0 – 8,430	>0 – 11,240	>0 – 5,620
6.15	>8,430 – 16,860	>11,240 – 22,480	>5,620 – 11,240
6.50	>16,860 – 126,420	>22,480 – 168,560	>11,240 – 84,280
6.75	>126,420	>168,560	>84,280

Source: WI Department of Revenue.

Alternative Minimum Tax

The Wisconsin alternative minimum tax (AMT) is equal to 6.5% of alternative minimum taxable income after allowing exemptions of \$49,000 for individuals that are married filing jointly

(\$24,500 if married filing separately and \$35,750 if single). This calculated AMT amount is then compared with the liability under the regular income tax. An AMT is owed only if the calculated amount exceeds the regular tax.

Nonrefundable Credits

Nonrefundable credits are those credits that are limited to the amount of income tax otherwise due.

- The itemized deductions credit is 5% of the excess of qualified itemized deductions over the sliding scale standard deduction. Expenses qualifying for the credit include mortgage interest on a primary residence located in Wisconsin, charitable contributions, and medical expenses in excess of 7.5% of the taxpayer's FAGI.
- The school property tax credit is equal to 12% of the first \$2,500 of property taxes or rent constituting property taxes paid on a person's primary residence and contiguous land (maximum credit of \$300.) For renters, the rent equivalent of property tax is 25% of rent if heat is not included and 20% of rent if heat is included.
- The armed forces member tax credit is a credit for full year Wisconsin residents for up to \$200 for military pay received for service while stationed outside the U.S. If both spouses of a married couple filing jointly receive pay for military service outside the U.S., both may claim the \$200 credit.
- The working families' credit is equal to a taxpayer's net tax liability (defined as gross tax less the itemized deduction credit, school property tax credit and historic rehabilitation credit) when income is \$18,000 or less for married couples filing jointly and \$9,000 or less for other taxpayers. Essentially, this credit eliminates tax liability when income is below these levels. The credit is phased out over the next \$1,000 of income above these ceilings. The credit is available only to full-year residents and it is not available to persons who are claimed as a dependent on someone else's tax return.
- The married couple credit is available only when both spouses work. The credit is equal to 3% of the first \$16,000 of the earned income of the lower-earning spouse (or a maximum credit of \$480).
- The manufacturer's sales tax credit is for owners of noncorporate businesses (e.g., sole proprietorships, partnerships). They may claim a credit for the amount of sales taxes paid on fuel and electricity used in manufacturing tangible personal property in Wisconsin. Unused credits may be carried forward over the next 15 years to offset future tax liability.
- The development zone credit is available to taxpayers that are certified by the Department of Commerce to participate in the Wisconsin Development Zone program. Unused amounts of the credit can be carried forward for up to 15 years.
- There are two historic rehabilitation credits provided to encourage the rehabilitation of historic buildings in Wisconsin:

- Supplement to the federal historic rehabilitation credit equal to 5% of qualified rehabilitation expenditures for historic buildings used in a trade or business that qualify for the federal credit and are located in Wisconsin. Unused amounts of the credit can be carried forward 15 years.
- State historic rehabilitation credit, which applies to owner-occupied personal residences and is equal to 25% of qualified expenditures to rehabilitate certified historic buildings for noncommercial use that are located in Wisconsin. The maximum credit is \$10,000 (\$5,000 for married persons filing separately). Unused amounts of the credit can be carried forward for up to 15 years.

Credit for Taxes Paid to Other States

Wisconsin residents may reduce their Wisconsin income tax by the amount of income taxes paid to other states or to the District of Columbia. The credit is not allowed if wages are earned in states having reciprocity agreements with Wisconsin. The credit is nonrefundable.

Refundable Credits

Refundable credits are credits that can exceed tax liability otherwise due. When that happens, a refund check for the excess is issued to the claimant.

- The Wisconsin earned income tax credit (EITC) is piggybacked on the federal EITC, based on the number of children in the household: 4% for one child, 14% for two children, and 43% of the federal credit for 3 or more children. For tax year 2003, the maximum federal credit is 34% of earnings not exceeding \$7,490 for persons with one child and 40% of earnings not exceeding \$10,510 for persons with two or more children. These credits are phased out as income rises. The phase-out ranges for FAGI are as follows:
 - for one child, the phase-out range for joint filers is \$14,730 - \$30,666, for singles it is \$13,730 - \$29,666.
 - for 2 or more children the phase-out range for joint filers is \$14,730 - \$34,692, and for singles it is \$13,730 - \$33,692.

Thus, the maximum federal credit for tax year 2003 is \$2,547 for one child and \$4,204 for two or more children, and the maximum state credit is \$102 for one child, \$589 for two children, and \$1,808 for 3 or more children.

- The Homestead credit is based on household income and property taxes (or rent equivalent), and is available to low income homeowners and renters (those with household incomes below \$24,500). The maximum amount of property tax that qualifies for the credit is \$1,450. For renters, property taxes are assumed to be 20% of their rent if heat is included in rent and 25% if heat is not included. The credit is computed as follows:
 - if household income is \$8,000 or less, the credit is 80% of property taxes up to \$1,450 (or a maximum credit of \$1,160);

- if household income is more than \$8,000 but not more than \$24,500, the credit is equal to 80% of the amount by which the property tax exceeds 8.778% of household income in excess of \$8,000;
 - if household income exceeds \$24,500, no Homestead credit is allowed.
 - In computing household income, a claimant may deduct \$250 for each dependent living with the claimant.
- The farmland preservation credit is available to owners of farmland covered by an exclusive agricultural zoning or a farmland preservation agreement. The credit is based on the claimant's household income and property taxes on farmland. The maximum potential credit is \$4,200 for claimants with incomes below \$5,000, and the credit is reduced as income rises above \$5,000. However, the actual credit is 70%, 80%, 95% or 100% of the potential credit, depending on whether the claimant has a farmland preservation agreement or participates in the program through zoning, and on the type of action the county and municipality have taken on the agricultural preservation plan or zoning ordinance. To qualify for the credit, the farmland must be at least 35 acres, and be part of a farm that produces gross profits of at least \$6,000 in the year the credit is claimed, or \$18,000 in total for the years the credit is claimed and the two prior years.
 - The farmland tax relief credit in tax year 2003 was equal to 16% of up to \$10,000 of property taxes on farmland, with a maximum credit of \$1,500. Each year the Wisconsin Department of Revenue sets the credit percentage so that expenditures on the credit for all claimants – individuals as well as corporations – total \$15 million, adjusted for expenditures in excess or less than the \$15 million in the prior fiscal year. To qualify for the credit, the farmland must be at least 35 acres, and be part of a farm that produces gross profits of at least \$6,000 in the year the credit is claimed, or \$18,000 in total for the years the credit is claimed and the two prior years.

APPENDIX B CHANGES AFFECTING TAX YEAR 2003 RETURNS

The following significant changes affected tax year 2003 returns:

- The farmland tax relief credit was reduced from tax year 2002 to 2003, from 30% of farmland property taxes up to \$10,000 (or a maximum credit of \$3,000) to 16% of farmland property taxes up to \$10,000 (or a maximum credit of \$1,500). The credit rate is set by the Department of Revenue each year so that expenditures on the credit for all claimants - individuals and corporate - is \$15 million, adjusted for expenditures in excess of or less than this amount in the prior fiscal year. For tax year 2002, in anticipation of the substantial decline in farmland property taxes brought about by use value assessment of farmland, the credit rate was substantially increased to 30%.
- The following items were increased due to indexing for inflation:
 - The income levels for each top income tax bracket.
 - The maximum standard deduction amounts and the income phase-out ranges for the standard deduction.

See Tables B1 and B2 for the tax brackets and standard deductions for tax year 2002. (Tax year 2003 amounts are in Tables A1 and A2.)

**TABLE B1
STANDARD DEDUCTIONS FOR TAX YEAR 2002**

Filing Status	Wisconsin Adjusted Gross Income (WAGI) (\$)	Standard Deduction (\$)
Single	<11,020	7,650
	11,020 to 74,770	7,650 – 12% (WAGI – 11,020)
	> 74,770	0
Head of Household	<11,020	9,880
	11,020 to 32,230	9,880 – 22.515% (WAGI – 11,020)
	>32,230 to 74,770	7,650 – 12% (WAGI – 11,020)
Married Filing Jointly	>74,770	0
	<15,470	13,770
	15,470 to 85,092	13,770 – 19.778% (WAGI – 15,470)
Married Filing Separately	>86,092	0
	<7,350	6,540
	7,350 to 40,417	6,540 – 19.778% (WAGI – 7,350)
	>40,417	0

Source: WI Department of Revenue.

TABLE B2
INDIVIDUAL INCOME TAX RATES FOR TAX YEAR 2002

Marginal Tax Rates (%)	Taxable Income Brackets (\$)		
	Single	Married Filing Jointly	Married Filing Separately
4.60	>0 – 8,280	>0 – 11,040	>0 – 5,520
6.15	>8,280 – 16,560	>11,040 – 22,080	>5,520 – 11,040
6.50	>16,560 – 124,200	>22,080 – 165,600	>11,040 – 82,800
6.75	>124,200	>165,600	>82,800

Source: WI Department of Revenue.